

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST CYCLE

Schedule 13 Change Request for FY 08-09 Budget Request Cycle											
Decision Item FY 08-09		Base Reduction Item FY 08-09		Supplemental FY 07-08		Budget Request Amendment FY 08-09					
Request Title:	Increased Funding for Non-Emergency Transportation Services										
Department:	Health Care Policy and Financing				Dept. Approval by:	John Bartholomew		Date:	January 2, 2008		
Priority Number:	S-10				OSPB Approval:	<i>[Signature]</i>		Date:	12/26/07		
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	7,583,761	7,299,302	144,963	7,444,265	7,299,302	0	7,299,302	0	7,299,302	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	3,791,881	3,649,651	72,482	3,722,133	3,649,651	0	3,649,651	0	3,649,651	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	3,791,880	3,649,651	72,481	3,722,132	3,649,651	0	3,649,651	0	3,649,651	0
(1) Executive Director's Office, Non-Emergency Transportation Services	Total	7,583,761	7,299,302	144,963	7,444,265	7,299,302	0	7,299,302	0	7,299,302	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	3,791,881	3,649,651	72,482	3,722,133	3,649,651	0	3,649,651	0	3,649,651	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	3,791,880	3,649,651	72,481	3,722,132	3,649,651	0	3,649,651	0	3,649,651	0
Letternote revised text:											
Cash Fund name/number, Federal Fund Grant name:				FF: Title XIX							
IT Request: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No											
Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				If Yes, List Other Departments Here:							

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	S-10
Change Request Title:	Increased Funding for Non-Emergency Transportation Services

SELECT ONE (click on box):

- ☐ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☒ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☐ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☒ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This Request seeks additional funding in the amount of \$144,963 total funds to restore FY 07-08 funding that was used to pay for an unexpectedly higher amount of FY 06-07 claims from the 56 non-metro counties within the Executive Director's Office, Non-Emergency Transportation Services line item.

Background and Appropriation History:

The Department provides non-emergency transportation to and from medically necessary services covered by the Colorado Medical Assistance Program for clients who have no other means of transportation throughout all sixty-four counties in Colorado. Section 25.5-5-202 (1) (s) (2), C.R.S. (2007) and 42 CFR §431.53 require the Department to provide non-emergency medical transportation to eligible clients under the State's Medical Assistance Program. The type of transportation authorized is determined by the distance to be traveled, treatment facilities available, and the physical condition of the client. Non-emergency medical transportation services include transportation between the client's home and the site of the Medicaid covered service, and when applicable, the cost of lodging and food when an overnight stay is necessary for an escort. There are also administrative costs related to non-emergency medical transportation including, but not

limited to, the intake of client calls, determining eligibility, and authorizing and arranging transportation.

History

Prior to FY 03-04, non-emergency medical transportation, approximated to be \$12,041,460, was contained in the Department's (2) Medical Services Premiums Long Bill group. However, due to difficult economic conditions in FY 02-03, the General Assembly reduced the funding by \$7,640,682 in an effort to reduce General Fund expenditures (FY 03-04 Figure Setting, March 11, 2002, pages 110-111).

In FY 03-04, the Department received legislative authority via HB 04-1220 to administer non-emergency medical transportation as an administrative program rather than an optional Medicaid service in an effort to maintain cost savings. This action resulted in \$4,400,778 being transferred from the Department's (2) Medical Services Premiums Long Bill group to a newly created line item under the (1) Executive Director's Office Long Bill group titled "Non-Emergency Transportation Services."

The Department employs two mechanisms to provide non-emergency medical transportation needs for Medicaid clients: 1) in the 8 Front Range counties, the Department has a full-risk, fixed-price contract with LogistiCare, Inc. to provide the necessary services and administration, and 2) in the remaining 56 counties, the county departments of social services are responsible for authorizing, billing through the Medicaid Management Information System and arranging the transportation.

Fixed Contract: LogistiCare, Inc.

From October 2002 to September 2004, the Department contracted with Arapahoe County Transportation Services for non-emergency transportation services in the 8 Front Range counties. Due to the closure of Arapahoe County Transportation Services in September 2004, the Department entered into an emergency contract with LogistiCare from October 1, 2004 through June 30, 2005.

On March 22, 2005, the Department issued a request for proposals for broker services in the 8 Front Range counties for FY 05-06. The winning bidder was LogistiCare; however LogistiCare refused to sign the contract citing concerns about unpredictable spikes in caseload, utilization, and inadequate funding. This resulted in a failed reprocurement for FY 05-06 requiring the Department to enter into an emergency nine month contract with LogistiCare from July 1, 2005 through March 31, 2006, until a new request for proposals could be completed.

In January 2006, the revised request for proposals was an open-ended request, meaning no dollar amount was specified. Having prior experience with providing non-emergency medical transportation services in the 8 Front Range counties, LogistiCare was awarded the winning bid for a fixed-price contract beginning June 1, 2006. This fixed-price contract was negotiated for \$446,992 per month, or \$5,363,904 per fiscal year. On June 20, 2006, the Department requested and subsequently received a 1331 Emergency Supplemental of \$1,121,497 to fund the administrative contract increases, funding for the two-month (April to May 2006) contract holdover provision, plus the fixed-price contract amount for June 2006.

In August 2006, the Department received correspondence from LogistiCare concerning unpaid monies for claim lag adjustments in the period from July 2005 through March 2006. With the assistance of the State Attorney General's Office and Governor's Counsel, the Department negotiated a settlement amount of \$1,048,608 with LogistiCare. The General Fund need was reduced by \$491,431 from an accounts payable line which was used to offset the total need. On January 23, 2007, the Department requested and subsequently received a FY 06-07 late supplemental in the amount of \$557,177 for the remaining lawsuit settlement agreement (February 14, 2007, Executive Director's Office Figure Setting, page 78).

Remaining 56 Counties

In the remaining 56 counties, the county departments of social services are responsible for authorizing and arranging transportation. Similar to increasing contract obligations, increased utilization and caseload in the non-metro counties have required a greater

portion of the total appropriation to be allocated for non-contractor costs. Changes in utilization and caseload are assumed to be the result of increased focus on non-emergency medical transportation from the Centers for Medicare and Medicaid Services, individual client complaints, recent training by the Department on State Plan transportation services, and increased awareness by Department of Human Services program administrators.

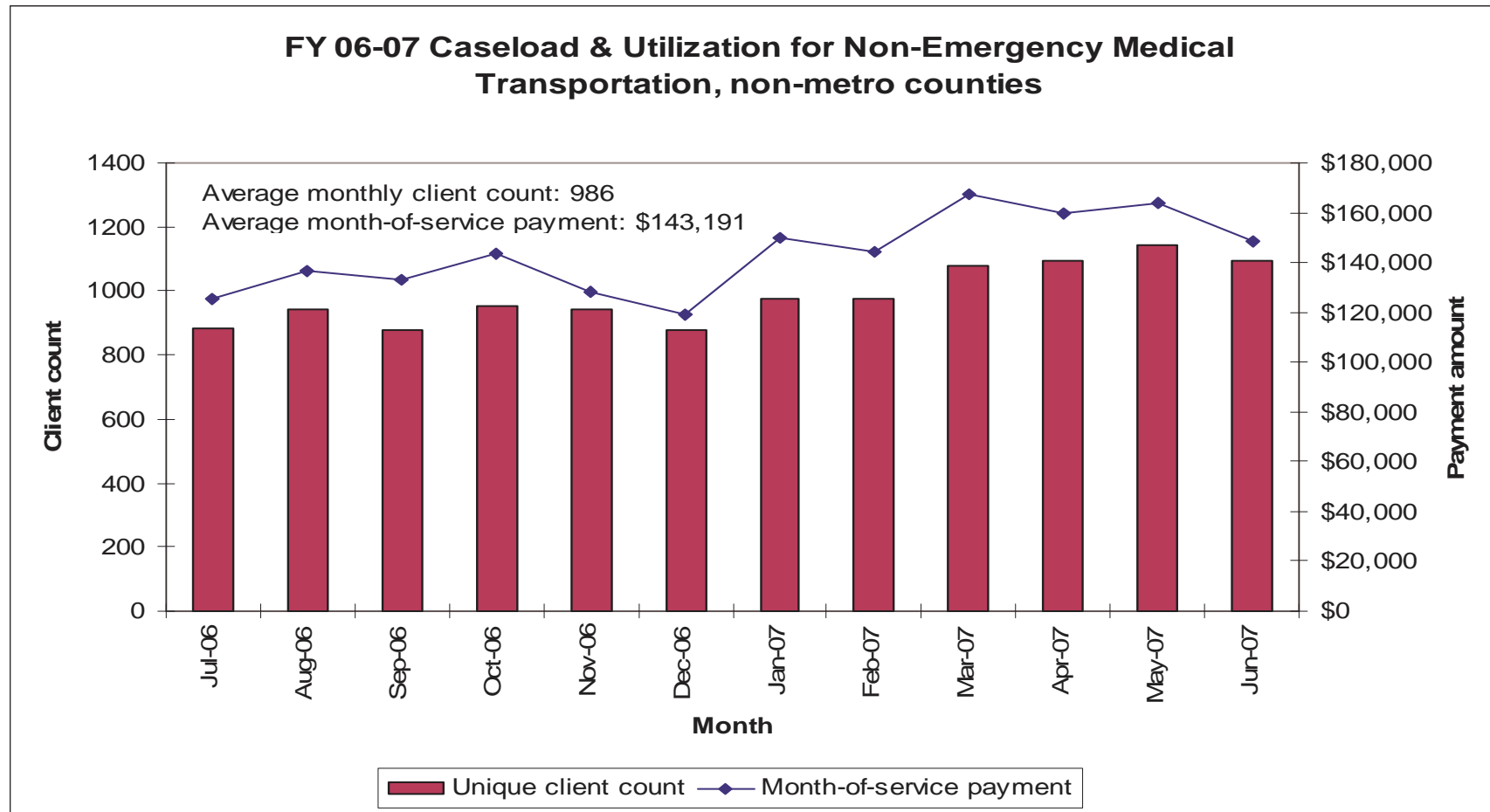
General Description of Request:

This Request seeks additional funding in the amount of \$144,963 total funds (\$72,482 General Fund and \$72,481 federal funds) for Non-Emergency Transportation Services to restore FY 07-08 funding that was used to pay for a FY 06-07 over expenditure. By restoring this funding in FY 07-08, it will prevent an over expenditure at fiscal year end.

In each fiscal year after the passage of HB 04-1220, the Department has seen increased caseload and utilization growth in non-emergency medical transportation services requiring supplemental and emergency supplemental funding. Although the Department has secured a fix-priced contract for the eight Front Range counties, the unpredictable nature of non-emergency medical transportation services in the remaining 56 non-metro counties makes it difficult to estimate an adequate level of funding each fiscal year.

In FY 06-07, the Department experienced higher than estimated non-emergency medical transportation claims in the 56 non-metro counties, which are not included under the fix-priced contract. The higher number of claims caused the Department to over expend its FY 06-07 appropriation in the Non-Emergency Transportation Services line item by \$144,963. All of these claims have dates of service in FY 06-07 and were submitted within the required 120 calendar days after fiscal year-end. Having completely spent the FY 06-07 appropriation, the additional claims were paid using the FY 07-08 appropriation. This request will serve to restore the \$144,963 in the FY 07-08 appropriation and prevent over expending the line item appropriation at fiscal year end.

Based on data from FY 06-07, the average number of clients per month and average month-of-service payment in the non-metro counties were 986 and \$143,191, respectively. See the graph below.



In FY 05-06, the average number of clients per month and average month-of-service payment were 632 and \$102,954. Based on these two fiscal years, the average number of clients per month and average month-of-service payment has increased by 56% and 39%, respectively.

In March and September 2007, the Department conducted non-emergency medical transportation training sessions at two separate events to which all Colorado counties were invited. The Department believes the higher caseload and utilization demand in FY 06-07 and FY 07-08 corresponds with the Department's increased training and awareness efforts with county administrators and providers. As such, the Department anticipates increased non-emergency medical transportation claims in the 56 non-metro counties due to these efforts. Moreover, the Department has learned that more non-metro counties are billing in FY 06-07 as compared to FY 05-06 as a result of the Department's awareness efforts. This became known when the Department had to reinstate or reactivate several accounts in the Medicaid Management Information System. (An account is sometimes deactivated due to inactivity and must be reinstated by the Department in order to accept and process provider billing.)

Lastly, in addition to the Department's increased awareness campaign, the Centers for Medicare and Medicaid Services have increased their own focus on non-emergency medical transportation services, which has contributed to increased client utilization in all 64 counties. All these efforts (at both the State and Federal level) have contributed to higher non-emergency medical transportation expenditures in FY 06-07.

Consequences if Not Funded:

If the Department does not restore the FY 07-08 funding used to pay claims with dates of service in FY 06-07, it risks over expending the FY 07-08 non-emergency medical transportation services appropriation. Additionally, the Department estimates that it cannot absorb this unanticipated loss of FY 07-08 funding given recent claims data which shows the July and August 2007 month-of-service payment being \$161,454 and \$150,978, respectively. These early figures, which include some run-out claims data, are close to the estimated average FY 07-08 monthly expenditure of \$161,283 for the 56 non-metro counties. If the remaining month-of-service payments in FY 07-08 exhibit a similar expenditure pattern, then it becomes crucial that the Department restore this funding to ensure continuous non-emergency medical transportation services, prevent an over expenditure at fiscal year end, and possibly avoid a future lawsuit for non-payment of claims.

If restorative funding is denied, the Department will likely seek future emergency supplemental funding should the remaining FY 07-08 funding be insufficient to pay non-emergency medical transportation claims.

Calculations for Request:

Summary of Request FY 07-08	Total Funds	General Fund	Federal Funds
Total Request	\$144,963	\$72,482	\$72,481
(1) Executive Director's Office, Non-Emergency Transportation Services (Column 3)	\$144,963	\$72,482	\$72,481

Assumptions for Calculations:

Each of the 56 non-metro counties have 120 calendar days to properly file claims, with additional lag for claims that are in dispute; therefore, the Department must wait for claims run-out to fully capture the entire cost of services attributable to that month. Based on this requirement, the counties have until October 29, 2007 to submit their FY 06-07 claims (assuming there are no disputes involved). In writing this request, the Department captured claims data on November 6, 2007 and believes all FY 06-07 claims have been submitted for payment. Additionally, the Department estimates that any FY 06-07 claims in dispute will be negligible and can be absorbed by the existing FY 07-08 appropriation.

FY 07-08 expenditures

The Department utilized available Medicaid Management Information System data on October 4, 2007 and calculated the month-of-service payment for July and August 2007 to be \$161,454 and \$150,978, respectively. These two month-of-service payments contain some claims run-out and serve as an estimate for future FY 07-08 monthly expenditures.

Row	Calculation for estimated average monthly expenditure for 56 non-metro counties	Amount
A	FY 07-08 appropriation	\$7,299,302
B	FY 07-08 fix-priced contract for 8 metro counties = \$446,992 x 12 months	\$5,363,904
C	Remaining FY 07-08 appropriation for claims in 56 non-metro counties, row A minus row B	\$1,935,398
D	Estimated average monthly expenditure for 56 non-metro counties, row C divided by 12	\$161,283

Based on this claims data for FY 07-08, the Department estimates that it cannot absorb the unexpected FY 06-07 claims from its remaining FY 07-08 appropriation given that the most recent month-of-service payments are nearly equal to the estimated FY 07-08 average monthly expenditure of \$161,283. If the FY 07-08 expenditures exceed the Department's expenditure estimates for the 56 non-metro counties, then the Department will seek emergency supplemental funding to cover the shortfall.

Impact on Other Government Agencies: No impact on other government agencies.

Cost Benefit Analysis:

Description of Benefits	Cost
The Department would be in compliance with all State and federal citations regarding the delivery of non-emergency medical transportation.	\$144,963
The Department will ensure an adequate level of funding for non-emergency medical transportation claims and avoid a possible lawsuit for non-payment of claims.	
The Department would be able to pay all its provider claims associated with the State's eligible Medicaid clients.	

Statutory and Federal Authority: 25.5-5-202, (1) (s) (2), C.R.S. (2007). Basic services for the categorically needy – optional services. *(1) Subject to the provisions of subsection (2) of this section, the following are services for which federal financial participation is available and which Colorado has selected to provide as optional services under the medical assistance program: (s) (2) In addition to the services described in subsection (1) of this section and*

subject to continued federal financial participation, Colorado has selected to provide transportation services as an administrative cost.

42 C.F.R. § 431.53. Assurance of transportation. A State Plan must--(a) Specify that the Medicaid agency will ensure necessary transportation for recipients to and from providers; and (b) Describe the methods that the agency will use to meet this requirement. (Sec. 1902(a)(4) of the Act)

Performance Measures:

Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.